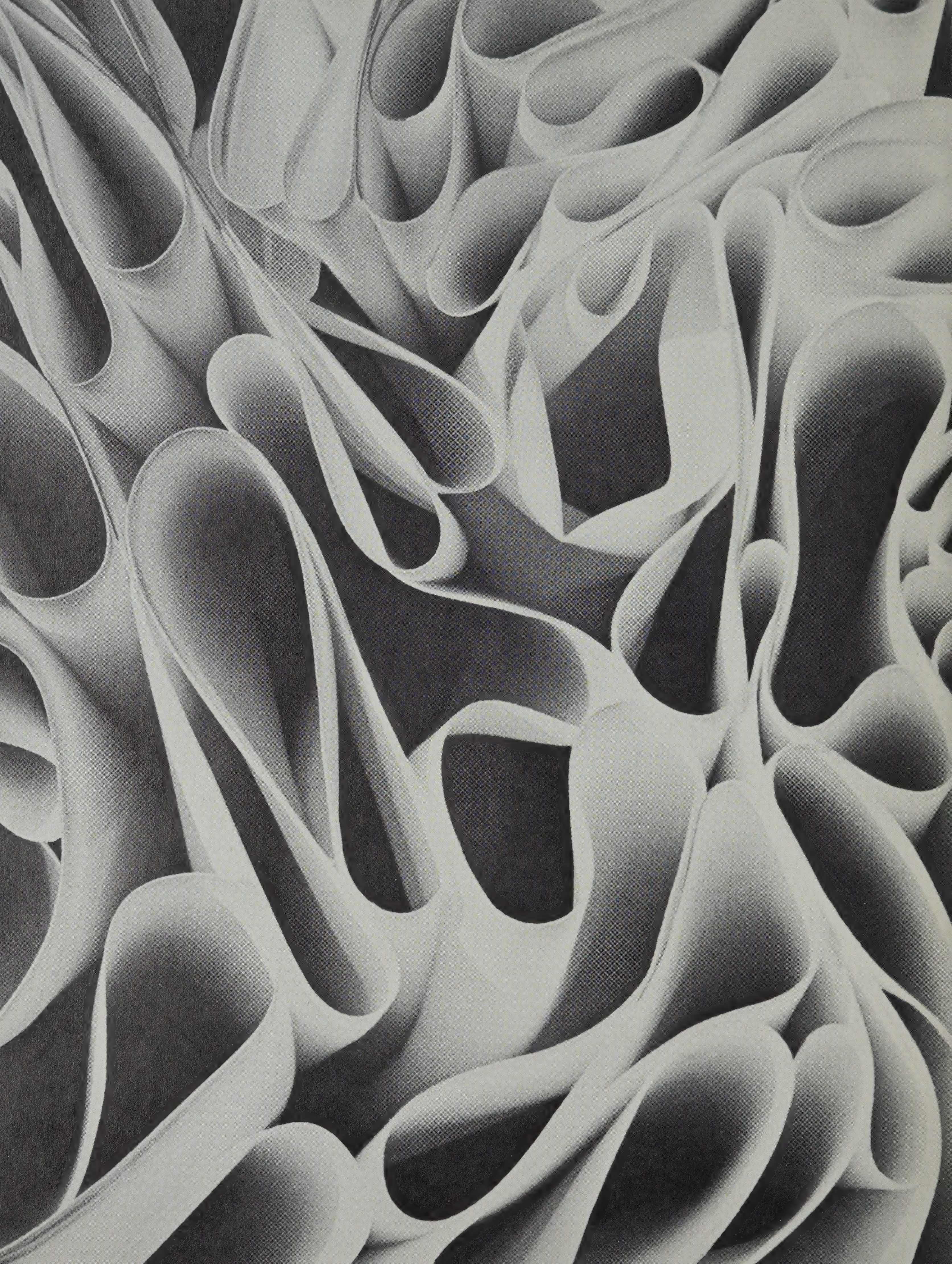
DOMINION TEXTILE COMPANY LIMITED   ANNUAL REPORT 1969



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Si vous préférez recevoir ce rapport en français, veuillez vous adresser au secrétaire, case postale 6250, Montréal 101, Québec.

Annual Meeting
The annual meeting of shareholders will be held at 2:30 p.m. on Wednesday, September 17, 1969 at the office of the Company, 1950 Sherbrooke Street West, Montreal.

Transfer Agent:
The Royal Trust Company
Montreal: 630 Dorchester Boulevard West, Montreal 101, Quebec
Toronto: 119 Adelaide Street West, Toronto, Ontario
Vancouver: 66 West Pender Street, Vancouver 4, British Columbia

Registrar:
Montreal Trust Company
Montreal: 777 Dorchester Boulevard West, Montreal 113, Quebec
Toronto: 15 King Street West, Toronto
Vancouver: 466 Howe Street, Vancouver 1, British Columbia

Shareholder enquiries
Communications regarding transfer requirements, lost certificates, dividends or changes of address may be directed to either the transfer agent at any office shown above, or to the Secretary of the Company, Box 6250, Montreal 101.

HIGHLIGHTS
(in thousands except for amounts per common share)

	Year ended June 30, 1969	Year ended June 30, 1968
Sales	**$173,270**	$172,214
Income (loss) from operations	**2,117**	(2,971)
Revenue from marketable securities and investments	**427**	498
Income tax credit	**1,765**	6,190
Net income from operations	**4,310**	3,717
Profit on sale of fixed assets and marketable securities	**729**	681
Net income for the year	**5,039**	4,398
Per common share		
Net income for the year	**$ 1.91**	$ 1.66
Dividends	**.60**	.80
Depreciation	**$ 9,556**	$ 9,547
Interest on borrowed money		
Long term	**3,051**	3,178
Short term	**2,350**	3,381
Additions to fixed assets	**2,773**	3,333

In 1968 the results were reported for the fifteen-month period ended June 30, 1968. To allow for meaningful comparison, the above unaudited figures are presented for the twelve months ended June 30, 1968 together with the audited figures for the fiscal year ended June 30, 1969.

REPORT TO SHAREHOLDERS

F. R. Daniels

E. F. King

The financial results for the 1969 fiscal year show a significant and continuing improvement in income from operations, although sales achieved only a modest increase over the previous year. Net income rose to $1.91 per common share compared with $1.66 in the twelve months ended June 30, 1968 despite a substantial reduction in the income tax credit. With the completion of the prescribed period for certain tax benefits which had been available to two of our subsidiary companies and higher operating profits, we are returning to a more normal tax position.

A quarterly dividend rate of 15¢ per common share was maintained throughout the year. In the opinion of the Directors the longer term interests of the shareholders were better served in the climate of uncertainty through the conservation of cash for capital investment projects and further debt reduction.

While business conditions were generally favourable in most areas of the textile industry during the year, the disruptive effect of low-cost textile imports on both volume and price in the Canadian market was a material factor in not achieving a higher volume of sales. In addition, restrictions imposed on imports into the United Kingdom posed serious problems for export sales to that country.

Higher wages, salaries and fringe benefits, partly as a result of new collective bargaining agreements negotiated during the year, dramatically higher rates of interest and increases in almost all other costs also worked against us. Profit margins were squeezed as we were generally unable to reflect these higher costs in our selling prices. Every effort is being made to minimize the effect of all cost increases on earnings through tight control of expenses and greater efficiency and productivity and we are confident that results for the 1970 fiscal year will continue to reflect improvement.

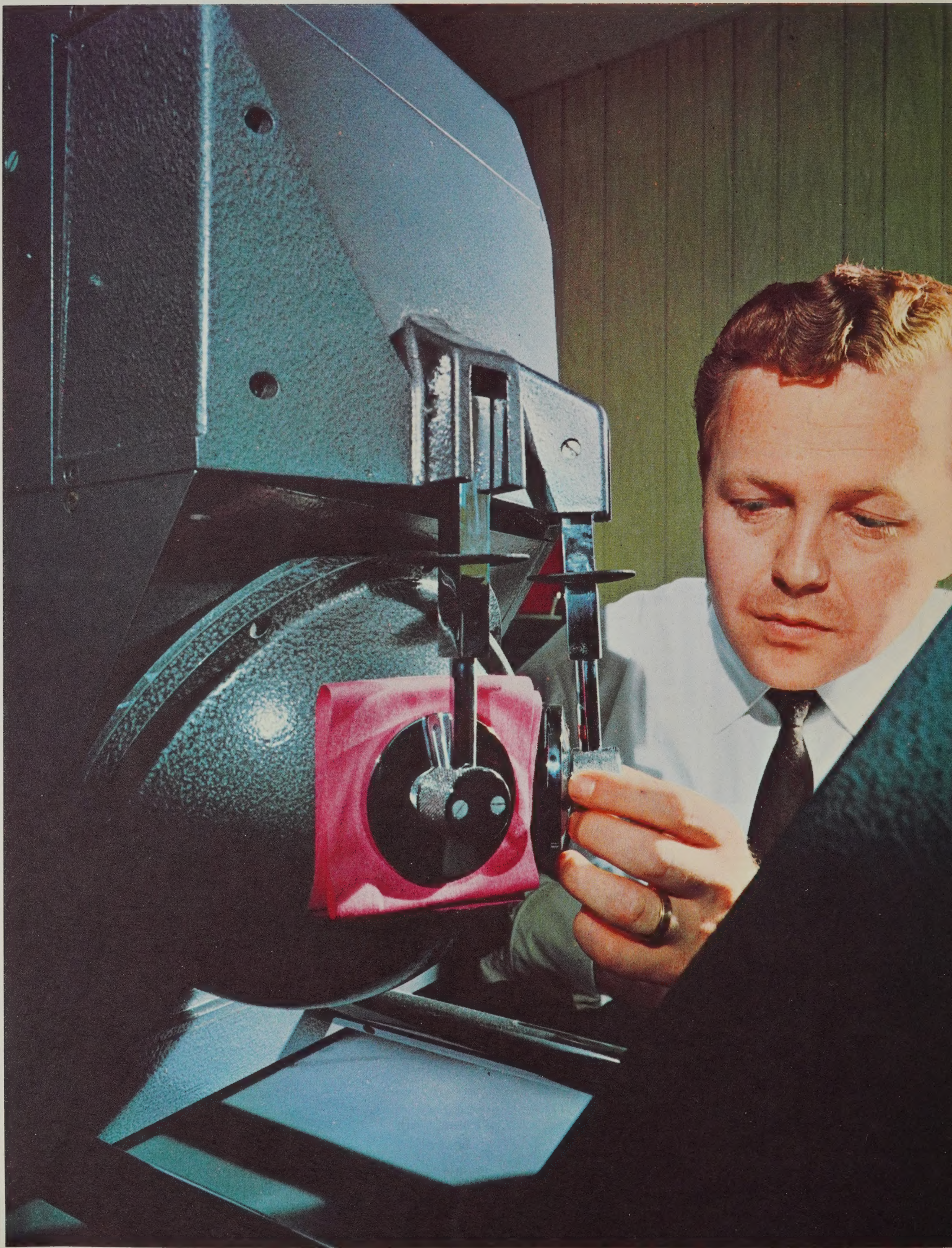
These problems were offset to some degree by stronger promotion of the Tex-made, Tru-prest, Penmans and Caldwell labels and by an upgrading of our product mix through the introduction of new lines, higher styling, improved fabrication, new finishes and greater emphasis on a wide variety of blend fabrics and yarns.

Most plants operated at reasonably high rates of activity throughout the year. More effective utilization of our total facilities for the production and sale of the most profitable product lines was largely responsible for the increased operating margins. The extensive programme of expansion and modernization undertaken in recent years, continuing technological innovations and the development of an increasingly effective organization, all contributed to the improved results.

Through careful planning and control, the balance and level of inventories was kept in close relation with market demands resulting in a lower average of short-term indebtedness throughout the year.

No new major capital expenditures were undertaken during the year but substantial amounts were spent to continue the conversion of many of our facilities from cotton to man-made fibre processing and to reorganize and extend existing production facilities to handle the changing demands of the market and the need for increased flexibility.

To remain in a position to satisfy the constantly changing requirements of the markets we serve, the Company is continuously complementing its facilities with the latest equipment and technology. A critical factor in our ability to make the careful assessments



Automated techniques are used throughout textile manufacturing for better quality and productivity. A chemist uses a Trilac Recording Spectrophotometer which characterizes the colour in mathematical terms using the colour reflection of the fabric or yarn. These values are automatically fed to a Digital Tristimulus Integrator and to a computer to determine the optimum colour mix to reproduce the precise shade.

and the reasonable projections required in planning major long-range capital expenditures is a knowledge of the Government's intentions with regard to the heavy inroads that imports of textiles from low-cost countries are making into the Canadian market.

To point out the need for government policy in this area, a joint committee of the Confédération des Syndicats Nationaux, Textile Workers' Union of America, United Textile Workers of America, and the Canadian Textiles Institute submitted a brief to the Federal Government in the summer of 1968. The brief indicated that for the industry to plan more effectively and fulfill its role, it was essential that a policy framework be established to replace the temporary expedients relied on in the past to correct abnormal import situations.

To date the Government's response has been to direct the Department of Industry, Trade and Commerce to conduct a study of the problem and submit recommendations by the end of this calendar year.

The greatest danger to which an industry can be subjected is to be shut off from making the necessary capital expenditures required to maintain a high degree of efficiency. The lack of an expanding industry can also have a grave effect on both regional and national economies.

The problem of low-cost imports has become a matter of concern not only for the textile industry but for large unrelated segments of the Canadian manufacturing economy.

The accelerated reduction in tariff concessions, recently announced by the Minister of Finance, does nothing to assist or encourage this industry. It is in fact questionable whether such action will achieve the desired effect in industry generally.

At a special general meeting to be held in conjunction with the Annual Meeting, the shareholders will be asked to sanction By-law XLIV changing the name of the Company. The By-law shortens the present name to Dominion Textile Limited and provides in addition an alternative form in French.

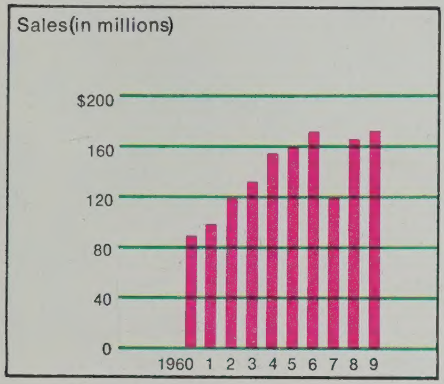
Relations with our employees have been excellent throughout the year and we express our appreciation for their co-operation and support.

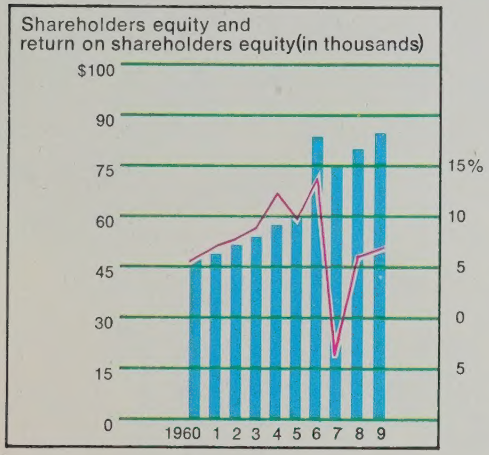
Submitted on behalf of the Board,

F. R. DANIELS,
Chairman of the Board.

E. F. KING,
President.

Montreal, Quebec,
August 6, 1969.





Knitting, a fast growing segment of the textile industry, employing many Canadians, relies extensively on quality Tex-made yarns.

Marketing

Consolidated sales were $173 million for the year ended June 30, 1969 compared to $172 million for the twelve months ended June 30, 1968.

Sales in the major product classifications have not changed materially from those for the fifteen months ended June 30, 1968.

	1969	1968
Cotton and blended yarn for knitters and weavers	16%	14%
Industrial fabrics for use in the manufacture of a diverse range of other products	21%	20%
Fabrics for the apparel trades in cotton and blends of cotton and man-made fibres	32%	32%
Finished items such as sheets, pillow slips, blankets, towels, draperies and knitted apparel	31%	34%

Our marketing organization kept pace with the many and varied demands, as it pursued programmes designed to produce maximum volume with improved margins.

Total export sales this year at $10.4 million were lower than one year ago. We were adversely affected by the United Kingdom's implementation of an import deposit plan, together with new purchase taxes on some consumer products and fabrics. Both measures disrupted normal trading patterns in this our largest export market. Sales to other export markets resulted in sizable increases. We are optimistic that continued aggressive efforts will restore our worldwide sales to previous levels.

On the domestic scene several important trends are reflected in this year's results. The highlights are:

—Continued heavy pressure from imports of yarn and fabrics together with a substantial increase in end products such as apparel, sheets and blankets from low-cost countries contributed to the over-all import problem.

—A concentration of imports on volume staple merchandise has forced us to produce a large variety of goods in smaller volumes thus seriously interfering with the rationalization of product mix.

—An accelerating tempo of change in many markets, particularly the apparel trades, which requires a sensitive understanding of styling and fashion trends and flexibility in manufacturing to adapt to such changes.

—Rising financial costs increased the pressure on manufacturers to carry more of the burden of inventories, although the Company's inventory turnover improved in a marked manner.

—Labour unrest and inventory imbalance in the rubber industry caused a loss of tire cord shipments, but we feel that the situation is being corrected and shipments are expected to regain their former record levels.

Operating within a total company concept of marketing, we are intensifying our styling and service efforts to maintain our position as the prime, reliable supplier to all segments of the Canadian scene. In this context it is interesting to note that:

—We are an active participant in the development of volume sales of fabrics for glass belted polyester tires.

4 cols

An operator automatically lowers a yarn rack into a high pressure processing vat at our modern Mount Royal Dyehouse.

—A combination of greater emphasis on leisure living and our technical leadership in production of blend fabrics has contributed to substantial sales of heavy belting ducks of man-made fibres to the snowmobile and related industries.

—Our sales of yarn and fabrics to the automotive industry continued to rise as the Canada -U.S. auto pact resulted in greater activity in that field.

—The use of man-made fibres in our various products continues to increase. Our Truprest symbol for permanent press performance is identified with an increasingly wide sweep of garment end uses as well as sheets and pillow slips in staple and fashion goods.

—The second collection of Mahri fabrics, styled for high fashion retail selling, was enthusiastically received by the trade and enjoyed wide publicity in the press and television media across the country.

—Our product development staff took a leading role, along with representatives of the manufacturers of Fortrel polyester fibre, uniforms, laundry equipment and detergents as well as the Kitchener-Waterloo Hospital personnel, in conducting an exhaustive study on comparative performance of hospital garments of Fortrel/cotton blend and all-cotton. The conclusive results demonstrating longer life and improved economies of the Fortrel/cotton items have resulted in a widespread movement towards adoption of such products in the industry across Canada. Substantially increased sales pattern of these styles is a tangible mark of the merits of this undertaking.

The outlook is for a continuing competitive, fast-moving market in which our Marketing Division is well-positioned to move aggressively with the rapidly-changing market patterns.

Manufacturing

As forecast in our report of last year, plant operations have been maintained at a higher rate this year.

Total capital expenditures for the year amounted to $2.8 million and this amount was primarily expended on routine changes and additions to various facilities. Approximately $1.5 million of the above was spent to improve our capabilities in the blend fabric field, for grey and finished goods.

During the 1969/70 fiscal year we will be spending approximately $2.5 million on the modernization and expansion of our blend sales yarn plant in Sherbrooke.

Subject to completion of studies well underway, we will possibly spend approximately $1.5 million on the replacement of our tire cord dipping unit at Drummondville.

With the continuing trend towards blend fabrics, substantial capital expenditures should be made to convert a portion of the Magog Cotton Mill to polyester and combed cotton blends. However, such action could be affected by the results of the study presently under way by the Department of Industry, Trade and Commerce.

All plants, grey and converting, are being maintained in a condition of high physical and technological efficiency.

Subsidiaries

Caldwell Linen Mills, Limited

While sales volume was maintained and the operating results showed improvement, high-

The Tex-made jumbo rolls are used to achieve efficiency and economy in the cutting room of The Great Western Garment Ltd. plant in Edmonton.

Tire cord produced at the Drummondville plant gives strength to these giant tires on a jet plane. Motorists, truckers and other transport people depend on Tex-made.

ly competitive conditions and continued manufacturing difficulties resulted in unsatisfactory performance for the year.

A re-organization of the manufacturing operations presently underway is expected to rectify the situation.

Penmans Limited
In April 1969 this Company entered into its 101st year of operation, and its products continue to enjoy an excellent reputation both in consumer and industrial markets.

Suit-matching shades of men's hosiery introduced during the year were well received and the Company's line of Fortrel/cotton underwear for men is widely accepted by the consumer.

Emphasis on brand awareness at the consumer level has resulted in the Company being awarded two "Cleo's" for their "Torture Test" commercial at the American Television Commercial Festival held in New York on May 12, 1969. The first was for the best apparel commercial and the second for the best Canadian commercial.

Sales during the year amounted to $15.3 million, an increase of 1.1% over the previous year.

Manufacturing operations at Coaticook are being phased out and re-distributed between the St. Hyacinthe and Paris plants as part of a programme of rationalization.

C.W. MacLean was appointed President of Penmans Limited during the year and E.F. King became the Chairman of the Board.

Water Pollution Control
The Company's major efforts to prevent water pollution were recognized recently. An "award to industry" was presented to Dominion Textile by l'Association québecoise des techniques de l'eau at its annual meeting. The award, the first of its kind given to an industry, recognizes the efforts made in handling waste water at the Beauharnois finishing plant. This waste treatment installation, which cost $800,000, includes equipment for extraction and recuperation of process materials from the more than 2,000,000 gallons of water used daily and a special lagoon with a capacity of 12,000,000 gallons where the water is aerated before being returned for further public use.

Financial
Sales for the year were $173.3 million, and net income amounted to $5,039,000 or $1.91 per common share after preference dividends. For the twelve months ended June 30, 1968, net income per common share on the same basis was $1.66. Cash flow per share after preference dividends was $4.88 against $2.85 for the comparable 1968 period.

Higher levels of activity in manufacturing and selectivity in marketing are reflected in considerably increased income from operations. Compared to the loss from operations of $3.0 million for the twelve months ended June 1968, income from operations amounted to $2.1 million for 1969.

Regular quarterly dividends of $1.75 per share were paid on the 7% cumulative preference shares and a total dividend of 60¢ per share was paid on the common stock during the year in comparison with 80¢ per share during the twelve months ended June 30, 1968.

Above, a caftan made from a Mahri fabric designed by the well known Canadian painter, Claire Miron. This collection created especially for the haute couture centres has been acclaimed by fashion designers as an outstanding initiative.

The accelerating demand for blend fabrics is being met by the installation of additional continuous dyeing facilities and Thermosol units essential for dyeing many shades of polyester blends. On the opposite page a drying unit at the Beauharnois Finishing plant.

Total operating expenses amounted to $171.2 million. A comparison of the major items as a percentage of total costs is presented below:

	1969 %	**1968** %
Raw Materials	35.1	33.3
Labour	22.4	23.5
Supplies	7.2	7.6
Other manufacturing expenses	17.6	18.1
Depreciation	5.6	5.5
Selling and administrative expenses	9.2	8.6
Financial expense	2.9	3.4
	100	100

The percentages for 1968 have been restated on a basis comparable to 1969.

Depreciation as a percentage of total costs remains approximately the same in 1969 whereas financial expenses are considerably lower as the result of a significant reduction in short-term debt during the year.

The three-year tax holiday of Long Sault Fabrics Limited expired on April 30, 1969, and the same benefits enjoyed by Long Sault Yarns Limited will not be available after November 30, 1969.

Working capital is $4.5 million higher than at the end of June 1968. Inventories at $62.2 million are down from their levels a year ago representing continued strenuous efforts to keep inventories at the lowest possible levels. Short-term borrowings declined materially as funds were generated by operations and inventories and accounts receivable were held at reasonable levels.

The Company's 50% ownership of The Esmond Mills Limited had an underlying net book value of $2.3 million and its share of the net earnings of The Esmond Mills Limited for the year ended December 31, 1968 was $157,600. Of this amount only dividends received during the year amounting to $99,562 are reflected in the income of the Company.

The Company continued to maintain its investment portfolio for employment of funds not currently required in the operations.

The first instalment due on the serial debentures was made on April 15, 1969 and a similar amount has been included in current liabilities in anticipation of the payment due in 1970. Purchase of the 5⅝% debentures for sinking fund purposes during the year amounted to $2,220,000 which is considerably in excess of the required $960,000. The Company's debt to equity ratio was 36% to 64% at the end of June 1969.

Apart from minor gains on disposal of properties, machinery and equipment in 1969 the significant portion of the profit on sale of fixed assets and marketable securities represents profits arising from sale of securities.

Employee Relations

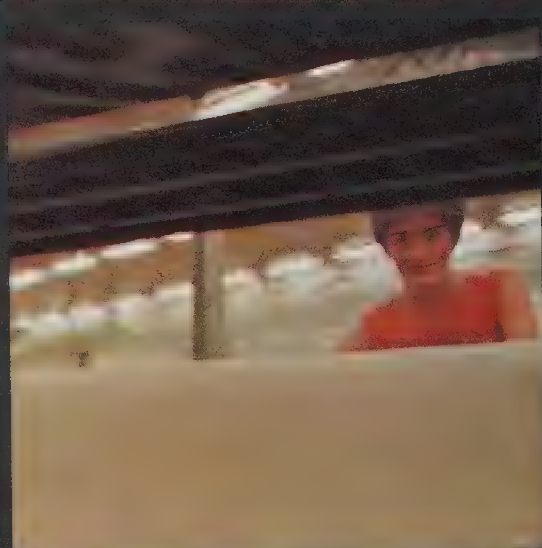
New labour agreements for the three-year period ending February 1972 were signed during the year with the unions representing most of our employees. The increases in wages and fringe benefits for the hourly-paid employees of the Company amount to 19.3% over the life of the contract.

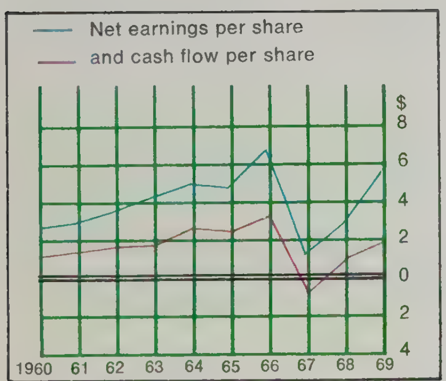
Negotiations were conducted in an atmosphere of definite awareness of the problems to be faced by the Company in the competitive environment in which it must function. Settlements were arrived at shortly after the expiry of the previous contract with the representatives of the C.N.T.U. and the U.T.W.A. as a result of direct negotiations be-

Behind it all







tween the parties. It is expected that the new agreements will assure a period of labour stability over the next three years.

Negotiations are presently under way at Long Sault Fabrics Limited, Long Sault Yarns Limited and at Caldwell Linen Mills, Limited and it is expected that realistic settlements will be achieved.

On June 30, 1969 companies in the Dominion Textile group employed 10,449 people compared to 10,613 people at June 30, 1968, and a total of $58.9 million in salaries, wages and employee benefits was paid during the year.

Organizational Changes

Extensive organizational developments have taken place during the year and the significance of various functional areas was recognized by senior appointments.

T.R. Bell was appointed Vice-President—Marketing and R.M. Wilson, General Sales Manager.

A.P. Earle was appointed Vice-President—Operation Services, and assumed responsibility for purchasing, traffic and quality control departments in addition to the engineering activities.

W.H. Gambrell was appointed Vice-President—Finished Goods Manufacturing. He is responsible for the Beauharnois Finishing Plant, the Magog Print Works and the Montmorency and Mount Royal dyehouses.

N.E. Kenrick became Vice-President—Administration, a position vacated by L.P. Webster who retired during the year after a long and distinguished career with the Company.

R.W. Kolb assumed the newly-created position of Vice-President—Development Research, an area that the Company considers vital in maintaining its leading position in the industry.

In addition to his responsibilities as head of the Finance Division, C.A. McCrae, Vice-President—Finance, has assumed the direction of the general and cost accounting departments and related activities.

L.G. McDonough was appointed Vice-President—Grey Goods Manufacturing. He is responsible for the operation of fourteen of the grey mills of the Company.

L.J. Smith was appointed Vice-President—Fibre Procurement. In this capacity Mr. Smith is responsible for the cotton and man-made fibre requirements of the Company.

Application of the latest developments and techniques in the field of information management and reporting for decision making and management control purposes is essential for today's fast-changing environment. With this in mind the Company's computer and system and methods departments were constituted as a separate division which reports to W.J. Veitch, Vice-President—Management Information Services.

These organizational changes and many others made during the year were part of a programme to broaden the management base of the Company and were made to ensure that the Company is kept in a position to take advantage of future opportunities and to maintain its leadership in the industry.

Consolidated Statement of Income

for the year ended June 30, 1969

	Year ended June 30, 1969	Year ended June 30, 1968 (Unaudited)
Sales	**$173,270,348**	$172,214,214
Operating expenses, including interest on long term debt of $3,050,835 in 1969 and $3,178,087 in 1968 (Note 6)	**171,153,135**	175,185,221
Income (loss) from operations	**2,117,213**	(2,971,007)
Revenue from marketable securities and investments	**427,467**	497,527
	2,544,680	(2,473,480)
Income tax credit (Note 5)	**1,765,018**	6,189,790
Net income from operations	**4,309,698**	3,716,310
Profit on sale of fixed assets and marketable securities	**729,216**	681,462
Net income for the year	**$ 5,038,914**	$ 4,397,772
Per common share, after preferred dividends	**$ 1.91**	$ 1.66

Consolidated Statement of Retained Earnings

for the year ended June 30, 1969

	Year ended June 30, 1969	Year ended June 30, 1968 (Unaudited)
Retained earnings at beginning of year	**$55,683,064**	$53,457,091
Net income for the year	**5,038,914**	4,397,772
	60,721,978	57,854,863
Deduct:		
7% preferred dividends	**90,737**	95,180
Common dividends $0.60 per share in 1969, $0.80 in 1968	**1,557,464**	2,076,619
	1,648,201	2,171,799
Retained earnings at end of year	**$59,073,777**	$55,683,064

Consolidated Statement of Source and Application of Funds

for the year ended June 30, 1969

	Year ended June 30, 1969	Year ended June 30, 1968 (Unaudited)
Funds provided		
Net income from operations	**$ 4,309,698**	$ 3,716,310
Non cash items		
Depreciation	**9,556,414**	9,547,352
Deferred income taxes	**(1,841,783)**	(6,443,732)
	12,024,329	6,819,930
Sale of fixed assets and profit on sale of marketable securities	**1,066,105**	1,757,302
	13,090,434	8,577,232
Funds applied		
Additions to fixed assets	**2,772,827**	3,333,397
Reduction of long term debt	**4,095,000**	2,465,000
Dividends	**1,648,201**	2,171,799
Other	**31,710**	753,313
	8,547,738	8,723,509
Increase (decrease) in working capital	**$ 4,542,696**	$ (146,277)
Working capital at beginning of year	**$51,112,160**	$51,258,437
Increase (decrease) during year	**4,542,696**	(146,277)
Working capital at end of year	**$55,654,856**	$51,112,160

DOMINION TEXTILE COMPANY LIMITED AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet as at June 30, 1969

ASSETS	June 30, 1969	June 30, 1968
Current assets		
Cash and short term deposits	$ 4,940,578	$ 1,524,813
Accounts receivable	25,229,638	22,117,698
Inventories—at lower of cost and net realizable value (Note 1)	62,157,966	70,560,622
Marketable securities—at cost (market value 1969—$8,074,398; 1968—$5,831,100)	8,136,813	5,905,786
Prepaid expenses	1,062,276	1,074,535
	101,527,271	101,183,454
Investments and advances—at cost (Note 2)	3,722,820	3,772,505
Fixed assets—at cost		
Land and buildings	58,134,887	57,841,810
Machinery and equipment	118,466,452	120,355,686
	176,601,339	178,197,496
Less: Accumulated depreciation	121,634,557	116,109,883
	54,966,782	62,087,613
Deferred charges		
Income taxes (Note 3)	12,041,153	10,199,370
Unamortized debenture expense	239,719	276,104
	12,280,872	10,475,474
On behalf of the Board:	$172,497,745	$177,519,046

F. R. DANIELS, Director

E. F. KING, Director

LIABILITIES	June 30, 1969	June 30, 1968
Current liabilities		
Bank indebtedness	**$ 5,843,600**	$ 10,168,881
Short term notes	**26,230,000**	27,800,000
Accounts payable and accrued liabilities	**9,315,830**	8,067,719
Dividends payable	**406,687**	408,171
Income and other taxes	**2,201,298**	1,751,523
Long term debt due within one year	**1,875,000**	1,875,000
	45,872,415	50,071,294
Long term debt (Note 4)	**45,440,000**	49,535,000
Minority interest in preferred shares of a subsidiary	**585,465**	618,800
SHAREHOLDERS' EQUITY (Note 8)		
Capital stock		
7% Cumulative Preference Authorized—20,000 shares $100 par value Outstanding—12,474 shares (1968—13,322 shares)	**1,247,400**	1,332,200
Common Authorized—7,500,000 shares no par value Issued—2,595,774 shares	**20,278,688**	20,278,688
Retained earnings	**59,073,777**	55,683,064
	80,599,865	77,293,952
	$172,497,745	$177,519,046

ACCOUNTING POLICIES

Applicable to the Consolidated Financial Statements for the year ended June 30, 1969

The following accounting policies are used by the Company in the preparation of the consolidated financial statements:

Principles of Consolidation
The consolidated financial statements are prepared in accordance with generally accepted accounting principles and include the accounts of all subsidiary companies, with provision for the interest of minority shareholders.

The earnings of subsidiary companies are included in the consolidated financial statements from the date of acquisition of control. The excess of net assets acquired over the Company's investment in subsidiary companies has been credited to fixed assets.

On consolidation all significant inter-company items are eliminated.

Comparative Figures
In 1968, the Company changed its year end from March 31 to June 30 and consequently the audited consolidated financial statements presented to shareholders covered a fifteen-month period from April 1, 1967 to June 30, 1968. To permit a more meaningful comparison with the results for the current year, the comparative figures shown in the accompanying statements are for the year ended June 30, 1968; these comparative figures are unaudited.

Foreign Exchange
Assets and liabilities in foreign currencies are converted at the exchange rates prevailing at the balance sheet date. Income and expenses in foreign currencies are converted at the actual exchange rates prevailing at the date of transaction or at average exchange rates for the year.

Consistency
The accounting principles are consistently followed from year to year except for occasional changes to reflect improved accounting practices, in which case the effect of any material change is duly indicated.

Inventory Valuation
Material and supplies in inventories are valued at the lower of average cost and net realizable value. The cost of work in process and finished goods inventories includes direct labour and certain manufacturing overhead expenses. Adequate provision is made for slow-moving and obsolete inventories.

Marketable Securities
Marketable securities are valued at average cost and when they are sold, the resulting gain or loss is included in net income.

Investments
The Company's investment in The Esmond Mills Limited (50% owned) is carried at cost and the latter's earnings are reflected in the consolidated financial statements only to the extent of dividends received.

Fixed Assets and Depreciation
Fixed assets are stated at historical cost. Depreciation is provided on a straight-line basis at rates which amortize the cost of buildings over a period of approximately twenty-five years and that of machinery and equipment over approximately ten years.

When fixed assets are sold or scrapped, the cost of the asset and the related accumulated depreciation are removed from the accounts and the resulting gain or loss on disposal is included in net income.

Income Taxes
The Company follows the tax allocation method of accounting for income taxes as recommended by the Canadian Institute of Chartered Accountants.

Pensions
The Company provides pensions for its employees. The hourly-paid employees are covered by non-contributory plans. There are a number of pension plans for salaried employees of the Company and its subsidiaries both of a contributory and a non-contributory nature. All pension plans are trusteed and are being funded. The current service cost portion of these plans is absorbed in the period in which the service that gives rise to the entitlement is rendered. The present value of the unfunded past service pension liability is estimated to be $5,500,000 at June 30, 1969 and is expected to be amortized on a systematic basis over the next seventeen years.

Pension payments made to retired employees who are not covered by these plans are charged to operations when paid.

Note 1—Inventories	**June 30, 1969**	June 30, 1968
The main inventory classifications are as follows:		
Raw materials	**$12,695,917**	$19,003,558
Work in process, including greys in bales for further processing	**22,818,873**	21,177,007
Finished goods	**22,125,602**	25,680,958
Supplies	**4,517,574**	4,699,099
	$62,157,966	$70,560,622

Note 2—Investments and Advances	**June 30, 1969**	June 30, 1968
Investment in The Esmond Mills Limited (50% owned)	**$ 1,603,125**	$ 1,603,125
Other investments and advances	**2,119,695**	2,169,380
	$ 3,722,820	$ 3,772,505

The equity of Dominion Textile Company Limited in The Esmond Mills Limited amounted to $2,287,746 at its latest fiscal year end (December 31, 1968) and the company's share of Esmond's net income, before dividends, for the year then ended amounted to $157,612 ($129,205 in 1967). Dominion Textile Company Limited received a dividend of $99,562 ($74,812 in the previous year) from this company and this dividend is included in income for the year.

Note 3—Deferred Charges—Income Taxes	**June 30, 1969**	June 30, 1968
Deferred income tax charges result from:		
Recording the income tax benefits which are expected to be realized in future years by carrying forward the 1968 and 1969 losses to reduce future taxable income. These income tax benefits are contingent on earning future profits against which the losses may be applied. In the view of management it is virtually certain that these benefits will be realized and, in accordance with the recommendations of the Accounting and Auditing Research Committee of the Canadian Institute of Chartered Accountants, the reduction of future income taxes has been recorded in the period when the loss was incurred	**$ 8,271,937**	$ 7,355,259
The income tax benefits of $2,360,000 on the 1967 loss carry forward have not been recorded in the accounts.		
Certain subsidiary companies in designated areas providing depreciation in their accounts and not claiming any capital cost allowances for income tax purposes. This occurred when the subsidiaries concerned were exempt from income taxes for a period of three years (one subsidiary will be in this position until November 1969). These companies are operating at a profit and it is expected that the deferred income tax charges will be applied to those future periods in which the capital cost allowances for income tax purposes will be greater than the depreciation recorded in the accounts	**$ 4,006,242**	$ 3,214,970
Other	**(237,026)**	(370,859)
	$12,041,153	$10,199,370

Note 4—Long Term Debt	**June 30, 1969**	June 30, 1968
5⅝% Sinking Fund Debentures, Series A due March 31, 1988		
Authorized and issued $32,000,000 less purchased for redemption	**$29,190,000**	$31,410,000
Sinking fund payments of $960,000 are due March 31, in each of the years 1970 to 1987		
6¾% Serial Debentures, Series B maturing in annual instalments of $1,875,000 April 15, 1970 to April 15, 1972		
Authorized and issued $7,500,000 less amount redeemed	**5,625,000**	7,500,000
6¾% Sinking Fund Debentures, Series B due April 15, 1990		
Authorized and issued	**12,500,000**	12,500,000
Sinking fund payments of $375,000 are due April 15, in each of the years 1972 to 1989		
	47,315,000	51,410,000
Deduct: 6¾% Serial Debentures, Series B due within one year—included in current liabilities	**1,875,000**	1,875,000
	$45,440,000	$49,535,000

Note 5—Income Taxes	**Year ended June 30, 1969**	Year ended June 30, 1968
The income tax credit included in income comprises the following:		
Income tax benefits expected to be realized in future years by applying the loss carry forward to reduce future taxable income	**$ 916,678**	$ 5,594,760
Income tax on the change in inter-company profits in inventory (such profits are eliminated in the consolidated financial statements)	**133,833**	(698,896)
Credit resulting from subsidiary companies in designated areas providing depreciation in their accounts and not charging any capital cost allowances for income tax purposes	**791,272**	1,310,232
Other	**(76,765)**	(16,306)
	$ 1,765,018	$ 6,189,790

Note 6—Statutory Information	**Year ended June 30, 1969**	Year ended June 30, 1968
Operating expenses include:		
Depreciation	**$ 9,556,414**	$ 9,547,352
Remuneration of directors, including remuneration of those who are officers	**266,900**	256,575
Remuneration of officers who are not directors	**267,580**	159,410

Note 7—Anticipated Capital Expenditures
Capital expenditures for the year ending June 30, 1970 are estimated to be $5,000,000.

Note 8—Restrictions Under Trust Deed
The Deed of Trust and Mortgage relating to the long term debt contains certain restrictions, customarily found in Deeds of this type, pertaining to the amount of long term debt which may be issued, the declaration or payments of dividends and the reduction of capital. At June 30, 1969 the amount of shareholders' equity not restricted under the terms of the Trust Deed was $9,419,000.

AUDITORS' REPORT

The Shareholders,
Dominion Textile Company Limited.

We have examined the consolidated balance sheet of Dominion Textile Company Limited and subsidiary companies as at June 30, 1969 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. For Dominion Textile Company Limited and those of the subsidiaries of which we are the auditors, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. With respect to the remaining subsidiaries of which we are not the auditors, we have carried out such enquiries and examinations as we considered necessary in order to accept for purposes of consolidation the reports of the other auditors.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 30, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Touche, Ross, Bailey & Smart
Chartered Accountants

Montreal, Quebec, July 31, 1969.

TEN-YEAR SUMMARY

In thousands of dollars	1969	1968(1)
Statement of Income		
Sales	**$173,270**	$172,214
Income (loss) before income taxes	**2,545**	(2,473)
Income taxes	**(1,765)**	(6,190)
Profit on sale of fixed assets and marketable securities	**729**	681
Net income (loss)	**5,039**	4,398
Balance Sheet		
Working capital	**55,655**	51,112
Working capital ratio	**2.21**	2.02
Additions to fixed assets	**2,773**	3,333
Provision for depreciation	**9,556**	9,547
Long term debt	**45,440**	49,535
Shareholders' Equity		
Shareholders' equity	**80,600**	77,294
Net income (loss) as a percentage of shareholders' equity at the beginning of the year	**6.52**	5.87
Per Common Share		
Net income (loss)	**1.91**	1.66
Cash flow	**4.88**	2.85
Dividends	**.60**	.80
Shareholders' equity	**30.57**	29.26
Number of Shareholders	**7,128**	7,098

1. The Company's fiscal year end was changed in 1968 from March 31 to June 30 and the audited statements covered a fifteen-month period. To allow for meaningful comparison the 1968 figures shown in this summary cover the twelve months ended June 30, 1968 rather than the fifteen-month period.

2. Figures include foreign subsidiaries for the first time.

3. Figures include Penmans Limited for the first time.

1967[2]	1966[3]	1965	1964	1963	1962	1961	1960
$129,585	$178,324	$161,601	$151,585	$137,324	$124,224	$103,185	$97,425
(11,672)	12,465	12,011	13,078	10,715	8,791	8,790	5,397
(6,998)	5,119	6,101	6,709	5,292	4,201	4,444	2,838
996	1,522	338	139	479	448	163	172
(3,678)	8,868	6,248	6,508	5,902	5,038	4,509	2,731
52,271	49,913	63,617	49,974	49,578	48,897	47,306	44,785
1.86	2.10	4.12	3.05	3.34	2.87	3.49	3.54
19,314	31,139	19,765	10,564	7,104	5,900	3,816	4,796
9,257	8,713	7,796	7,776	5,308	4,830	4,367	4,250
52,000	32,000	37,450	5,900	6,350	7,940	8,411	9,064
74,892	79,939	74,092	71,134	67,794	64,715	61,960	59,764
(4.60)	11.97	8.78	9.60	9.12	8.13	7.54	4.65
(1.45)	3.38	2.38	2.48	2.25	1.91	1.70	1.01
1.15	7.01	5.40	5.49	4.30	3.78	3.40	2.66
1.00	1.25	1.20	1.20	1.00	.80	.70	.60
28.32	30.26	28.13	26.99	25.74	24.51	23.43	22.50
6,766	6,790	6,856	6,737	6,970	7,111	7,046	7,461

DIRECTORS

* F. Ryland Daniels, Montreal
Chairman of the Board,
Dominion Textile Company Limited

Marcel Faribault, LL.D., Montreal
Chairman of the Board,
Compagnie France-Film

J. Claude Hébert, Montreal
President,
Canadian Executive Service Overseas

* Edward F. King, Montreal
President and Chief Executive Officer,
Dominion Textile Company Limited

* D. Ross McMaster, Q.C., Montreal
McMaster, Meighen, Minnion, Patch & Cordeau,
Barristers and Solicitors

Cal. N. Moisan, Montreal
President and General Manager,
Standard Paper Box Ltd.

Arthur Pascal, Montreal
Secretary,
The J. Pascal Hardware Co., Ltd.

Ronald H. Perowne, Montreal
Vice-President and General Manager,
Dominion Textile Company Limited

W. Culver Riley, Winnipeg, Manitoba
Chairman of the Board,
The Canadian Indemnity Company

Frank H. Sobey, Stellarton, Nova Scotia
Chairman of the Board,
Sobeys Stores Limited

* Colin W. Webster, Montreal
President,
Canadian Fuel Marketers Ltd.

* Member of the Executive Committee

OFFICERS

F. Ryland Daniels, Chairman of the Board
Edward F. King, President and Chief Executive Officer
Ronald H. Perowne, Vice-President and General Manager

Vice-Presidents
Thomas R. Bell, Marketing
Arthur P. Earle, Operation Services
W. Hood Gambrell, Finished Goods Manufacturing.
Norman E. Kenrick, Administration
Robert W. Kolb, Development Research
Charles A. McCrae, Finance
Lawrence G. McDonough, Grey Goods Manufacturing
Lester J. Smith, Fibre Procurement
William J. Veitch, Management Information Services

Clifton Beck, Secretary
George F. Michals, Treasurer
M. Bruce Tennant, Comptroller
G. William Webster, Assistant Treasurer
Francis P. Brady, Q.C., General Counsel

Penmans Limited
Charles W. MacLean, President

Caldwell Linen Mills, Limited
R. Douglas Archibald,
Vice-President and General Manager

PLANTS AND SUBSIDIARY COMPANIES

Plants	Location	Principal products
Beauharnois Finishing	St. Timothée, Quebec	Dyeing and finishing—cotton, polyester/cotton and polyester/Polynosic fabrics for women's blouse, dress and sportswear, men's shirts, pants, sportswear, rainwear and outerwear; industrial and automotive fabrics.
Domil Fabric	Sherbrooke, Quebec	Fabrics of natural and man-made fibres for men's and women's sportswear, rainwear and outerwear; shirting; filament mattress ticking; filament chafer fabrics.
Domil Yarn	Sherbrooke, Quebec	Yarns of natural and man-made (polyester, high wet modulus rayon or acrylic) blends for knitters and weavers.
Drummondville	Drummondville, Quebec	Ducks, industrial hose and belt fabrics, abrasion fabrics, industrial grey cloth, chafer fabrics, tire cord and automotive fabrics.
Gault	Valleyfield, Quebec	Drills, twills, cotton and polyester/cotton fabrics, cotton drapery fabrics.
Magog Cotton	Magog, Quebec	Cotton and polyester/cotton print cloth; industrial fabrics.
Magog Print Works	Magog, Quebec	"A" Division: bleached, dyed and printed fabrics including drills, twills and sateens, dress and lingerie print cloths, batistes, shirtings, flannelettes, pocketings, linings and inter-linings, drapery fabrics, printed filament ticking. "B" Division: making-up of consumer products such as sheets, slips, towels and blankets.
Montmorency	Montmorency, Quebec	Sales yarn: cotton and man-made; flannelette blankets, industrial grey cloth, towelling and twines.
Mount Royal Cotton	Montreal, Quebec	Bag cloth, soft filled sheeting, buffing cloth, industrial fabrics and print cloth.
Mount Royal Dyehouse	Montreal, Quebec	Sales yarn: combed and carded, bleached and dyed, of cotton, man-made fibres and blends.
St. Anns Yarn	Montreal, Quebec	Combed and carded cotton sales yarn.
Salaberry Yarn	Valleyfield, Quebec	Sales yarn: combed and carded, cotton, blends of polyester/cotton and cotton with high wet modulus rayon.

Plants	Location	Principal products
Sherbrooke Cotton	Sherbrooke, Quebec	Sheeting for sheets and pillow cases of cotton and blends of polyester/cotton; sheeting for chenille and tufting; industrial fabrics.
Tremont Worsted	Montreal, Quebec	Worsted yarns of wool and wool/man-made blends; natural and dyed.
SUBSIDIARY COMPANIES		
Caldwell Linen Mills, Limited	Iroquois, Ontario	Terry towels and towelling, dish towels and bath mats.
Long Sault Fabrics Limited	Long Sault, Ontario	Polyester/cotton broadcloths, batistes, outerwear and sportswear fabrics.
Long Sault Yarns Limited	Long Sault, Ontario	Cotton sales yarn.
Penmans Limited	Brantford, Ontario	Men's, ladies' and children's underwear in wool, cotton and man-made blends.
	Paris, Ontario	Fine hosiery, underwear, outerwear and sportswear of cotton and man-made/cotton blends for men, ladies and children; knitted industrial fabrics.
	St. Hyacinthe, Quebec	Men's, ladies' and children's underwear of cotton and man-made/cotton blends; hosiery; work socks and mitts; paper maker's felts.
Richelieu Fabrics Limited	St. Jean, Quebec	Broadcloths, twills, casement sateens, poplins and pocketing in cotton and blends of polyester/cotton.
Dominion Textile Company (U.K.) Limited	London, England	Company's selling agent for United Kingdom and Europe.
Howard Cotton Company	Memphis, Tennessee	Purchases raw cotton for Company and subsidiaries in world markets.
Textile Management Services Inc.	Montreal, Quebec	Provides services relating to control of manufacturing standards for Company and subsidiaries.
AFFILIATED COMPANY		
The Esmond Mills Limited	Granby, Quebec	Cotton and blend blankets, bedspreads, table fashions, and napped fabrics.

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